



Shri Shankaracharya Institute of Professional Management & Technology
DEPARTMENT OF MANAGEMENT STUDIES
QUESTIONS BANK
TAXATION & TAX PLANNING 576345(76)

Assessment year 2019 – 20

Unit -1

Q1. What is income tax? Describe the brief history of income tax in India. What are the basis and procedure of charging Income tax?

Q2. Explain the following terms:

- (i) Previous year
- (ii) Assessee
- (iii) Income
- (iv) Casual Income
- (v) Assessment Year

Q3. Income tax is charged on income but there is no definition of the term 'income' under the Income Tax Act; rather it only provides as to what is included in income." Discuss.

Q4. Define the term income. Distinguish between the Gross Total Income and Total Income.

Q5. What do you mean by agriculture income? What are its kind? State ten income which are related to land but not agriculture income.

Q6. Explain how the tax liability of an assessee is determined with reference to his residence?

Q7. Shri Hanuman Prasad has the following incomes for the previous year ending on 31st March 2019:

1. Income from salary in India from a company (computed) Rs. 50,000.
2. Dividend (gross) from an Indian Company received in England and spent there Rs. 10,000.
3. Income from house property in India received in Pakistan Rs. 20,000.
4. Dividend from a foreign company received in England and deposited in a bank there Rs. 10,000.
5. Income from business in Kolkata managed from U.S.A Rs. 20,000.
6. Income from business in the U.S.A (controlled from Kanpur Head Office) Rs. 12,000.
7. Income was earned in Australia and received there, but brought into India Rs. 25,000.
8. His maternal uncle sent a Bank Draft from France as a gift to him on his marriage Rs. 20,000.

Compute the gross total income, if he is: (i) Resident (ii) Not Ordinarily Resident
(iii) Non Resident

Q8. Indian citizen Dr. Dinesh (Government employee) has the following taxable income for the previous year 2018 – 19.

1. Income from salary received in foreign country for services rendered in that country (computed) Rs. 50,000.
2. Agriculture income from agriculture land situated in Pakistan Rs. 20,000.
3. Dividend (gross) by an Indian Company payable outside India Rs. 10,000.
4. Income from transfer of a long – term capital asset situated in India Rs. 20,000.
5. Interest earned and received in England from bank deposits there Rs. 5,000.

Compute gross total income of Dr. Dinesh for the Assessment Year 2019 – 20. If he is:

(i) Resident (ii) Not Ordinarily Resident (iii) Non Resident

Q9. Following are the incomes of Shri Amarnath for the financial year 2018 – 19:

1. Interest on Savings Bank Deposit in Allahabad Bank, Delhi Rs. 1,200.
2. Income from agriculture in Africa invested in Nepal Rs. 10,000.
3. Dividends received in the U.K from an American Company, out of which Rs. 2,000 were remitted to India Rs. 10,000.
4. Income from salary for three months for working in the Indian Embassy's Office in Australia and salary received there (computed) Rs. 72,000.
5. Income from house property (The building is situated in Pakistan, out of which Rs. 10,000 deposited in a bank in Pakistan and the balance remitted to India) Rs. 15,000.
6. Pension income in Belgium for services rendered in India with a limited company Rs. 20,000.

You are required to compute his gross total income for the Assessment Year 2019 – 20. If he is: (i) Resident (ii) Not Ordinarily Resident (iii) Non Resident

Q10. Mr. Darshan earns the following incomes during the Financial Year 2018 – 19:

1. Profits earned from business in Paris which is controlled from India, half of the profits being received in India Rs. 1, 60,000.
2. Income from pension from a former employer in India, received in the U.S.A. (computed) Rs. 32,000.

3. Income from agriculture in Pakistan and brought to India Rs. 40,000.
4. Income from the property in the U.K. and received there Rs. 32,000
5. Past untaxed foreign income brought into India during the previous year Rs. 40,000.
6. Gift in foreign currency from a relative received in India Rs. 80,000.

Determine the gross total income of Mr. Darshan for the Assessment Year 2019 – 20. If he is: (i) Resident (ii) Not Ordinarily Resident (iii) Non Resident

Q11. Particulars of income of Shri Ashok who is resident but not ordinarily resident for the Assessment Year 2019 – 20 is given below:

1. Profit from business in the U.S.A. received in India Rs. 1, 00,000.
2. Share of profit from a firm in India Rs. 50,000.
3. Income from house property in the U.S.A deposited there Rs. 60,000.
4. Income from agriculture in Sri Lanka received in India Rs. 40,000.
5. Past untaxed foreign income brought into India during the previous year 2018 – 19 Rs. 1, 20,000.
6. Profit from business in the U.K. which is controlled from India but deposited in a bank account in the U.K. Rs. 70,000

Calculate gross total income of shri Ashok.

Unit - 2

Q1. How the value of rent free house is calculated under the head Income from Salary?

Q2. What is meant by perquisites? Give five examples of perquisites?

Q3. Discuss the fully tax free allowances.

Q4. Discuss fully the deductions allowable under the head salaries.

Q5. Mr. X an employee with a furniture dealer, submits the following particulars of his income for the Assessment year 2019 – 20 and you are required to compute his gross total income from salary:

(1) Basic salary on 1.4.2018 Rs. 12,000 p.m.

(2) Dearness allowance at Rs. 1,000 p.m., which is taken into account for retirement benefits.

(3) Free unfurnished accommodation in Mumbai. The rent paid by the employer is Rs. 5,000 p.m.

On 1st September, 2018 his employer requested him to revise terms of employment due to the bad financial position of the company. The revised terms were:

(1) Basic salary Rs. 10,000 p.m. from 1.9.2018

(2) Dearness Allowance Rs. 700 p.m.

(3) No accommodation to be provided.

For this revision in his terms, his employer paid him a lump – sum of Rs. 20,000, when he agreed to such revision.

His employer also sold him on 1.6.2018 old furniture for Rs. 3,000. The cost of furniture on 1.4.2016 was Rs. 10,000. Assume that salary is due on the last day of the month.

Q6. Mr. X has furnished the following details with regard to his salary income for the year ended 31st March 2019:

(1) Salary at Rs. 12,000 per month.

(2) Bonus at six month's salary.

(3) Travelling allowance for a tour at Rs. 300 per month.

(4) Entertainment allowance of Rs. 500 per month.

(5) Commission equal to four month's pay.

a. He is also provided with a free furnished quarter in a city (population 15 lakh), valued at Rs. 3000 per month and furniture and fittings of the value of Rs. 10,000. He is also provided with free lunch at the company valued at Rs. 60 per meal for 300 working days.

b. He claims:

(i) Electricity and water charges incurred by him for his residence Rs. 1600 per annum.

(ii) Entrainment and travelling allowance in full.

c. His contribution to the company's Recognized Provident Fund is at Rs. 2000 per month and the employer contributes an equal sum. The interest credited to the provident fund account is Rs. 12000 at 9.5%. Compute his taxable salary.

Q7. Mr. Devendra an employee in a company at Delhi, is drawing a salary of Rs. 25000 p.m. plus 10% of his salary as dearness pay. He is getting entertainment allowance of Rs. 1000 p.m. He has spent Rs. 5000 on the entertainment of the company's customers. He is provided with a rent free unfurnished house of the fair rental value of Rs. 4000 p.m. The house is owned by the company. He is also provided with a small car for his personal and official use and all expenses of its running, maintenance and driver are met by the company. Devendra borrowed Rs. 1,00,000 interest free loan from the company to contract the house before one year. Assume the state Bank of India charge interest on such loans @ 10% p.a.

Calculate the value of perquisites of Mr. Devendra for the Assessment Year 2019 – 20.

Q8. Mr. Abdul Rahim was appointed in a factory on 1st January, 2009 in the pay scale of Rs. 12000 – 1000 – 24000. On 1st September, 2018 his services were terminated at the time of retrenchment on account of closure of business and he received a compensation of Rs. 2,00,000 from his employer under the Industrial Disputes Act and he received also gratuity Rs. 1,50,000 under the payment of Gratuity Act, 1972. He was entitled to avail earned leave of 30 days each year. At the time of termination of his service, he was also paid Rs. 1,68,000 for 8 months earned leave not availed of by him during the period of service. On 1st December, 2018 he got another appointment on a monthly salary of Rs. 30,000. On 1st February, 2019 in order to meet the expenses for repair of his home, he received an advance of 4 month's salary and also took a loan of Rs. 20,000 from his employer for the purpose. Determine his taxable income under the head salary for the Assessment Year 2019 – 20 assuming that the salary is due on the first of the next month.

Q9. Mr. Ram retired from a factory after serving for 30 years and 8 months in June 2018. His monthly wages (including dearness allowance but excluding all other allowances) on the date immediately preceding the date of retirement was Rs. 20,800. He received Rs. 3,72,000 from his employer as gratuity under the Payment of Gratuity Act, 1972. Compute the exempted amount of gratuity.

Q10. Manjunath was an employee in a company. He took premature retirement from service on 1st October, 2018 after completing 26 years of service. His average salary for last 10 months was Rs. 19,200 and he was getting D.A. of Rs. 800 p.m. which was treated as salary for the purpose of retirement benefits. He had availed 19 months earned leave while in service on the basis of 30 days leave for every year. He was paid Rs. 1, 29,500 as salary and Rs. 5600 as D.A in respect of earned leave due.

Compute the amount exempt regarding encashment of earned leave for the Assessment Year 2019 – 20.

Q11. Define annual value and state the deductions that are allowed from the annual value in computing the income from house property.

Q12. What do you mean by the term annual value of house property? How would you determine the annual value of a house property which remained vacant for part of the previous year.

Q13. Mr. Lal owns a big house, 50% of the floor area is let out for residential purpose on a monthly rent of Rs. 22,500, 25% of the floor area is used by the owner for the purpose of his profession, which remaining 25% of the floor area is utilised for the purpose of his residence. Other particulars of the houses are as follows:

- (1) Municipal valuation Rs. 6, 00,000
- (2) Standard rent Rs.9, 00,000
- (3) Municipal taxes paid Rs. 80,000
- (4) Repairs Rs. 30,000
- (5) Interest on capital borrowed for repairs Rs.3,00,000
- (6) Ground rent Rs. 8,000
- (7) Annual Charges Rs. 10,000
- (8) Fire Insurance Premium Rs. 12,000

Compute the taxable income from house property of Mr. Lal for the Assessment Year 2019 – 20.

Q14. Mr. Ram Nath owns a house at Kanpur (Municipal value Rs. 30,000) of the fair rent of Rs. 36,000 p.a. During the Previous Year 2018 – 19 the house is let out for residential purposes on a monthly rent of Rs. 4,000 from 1st April 2018 to 30th June, 2018 and self occupied for residential purposes for the remaining part of the year 2018 – 19.

Municipal taxes Rs. 6000 and collection charges Rs. 600 were paid during the year. A loan of Rs. 50,000 was taken on 1st April 2013 @ 10% p.a. for the construction of the house which was completed on 1st January, 2016 Rs. 10,000 was paid towards the loan account on 1st April, 2015. Find out his taxable income from house property for the A.Y. 2019 – 20.

Q15. Dr. Piyush Trivedi constructed a big house in July, 2008, which municipal valuation is Rs. 80,000 per annum, while its standard rent under the Rent Control Act is Rs. 90,000 annual. The house was used in the following manner during the previous year:

- (a) 25% portion of self residence
- (b) 25% portion for self office
- (c) 25% portion let out for residential purpose (Rs. 2000 p.m.)
- (d) 25% portion let out to a commercial firm (Rs. 2000p.m.)

Other particulars of the house are as follows:

- (i) Municipal corporation tax Rs. 12,800 (actual payment during the previous year 2018-19 Rs. 9000)
- (ii) Repairs Rs. 4500
- (iii) Ground rent Rs. 6800
- (iv) Annual charges Rs. 4000 (created by will by his father)
- (v) Fire insurance premium Rs. 2,000
- (vi) Rent collection charges Rs. 15,00

He has taken a loan from housing board to construct the house @ 12% per annum Rs. 2 lakh. Interest was due Rs. 24,000 during the previous year. Out of which Rs. 20,000 was paid. Compute income from house property for the Assessment Year 2019 – 20.

Unit - 3

Q1. What deductions are allowed to a businessman in computing profits? Specify the expenses disallowed.

Q2. Enumerate expenses which are allowed in computing taxable profits of a business and also state expenses or losses which are not admissible.

Q3. What are the allowances that are admissible in determining the income from business?

Q4. On the basis of Trading and P&L. Account of Mr. Harish, calculate his income from Business for the Assessment Year 2019 – 20.

Particular	Rs.	Particular	Rs.
Salary	1, 00,000	Gross Profit	5, 96,260
Advertisement	45,500		
Office Expenses	92,500	Rent on Property	48,000
Insurance Exp (Goods)	8,600	Refund of Income Tax	3,000
Fire Insurance Premium (H.P)	3,400	Bad Debts Recovery	7,800
Life Insurance Premium	30,000		
Depreciation on Motor	13,000		
Tax Provision	1,000		
Entertainment Exp.	18,500		
Cost of Patent	21,000		
Motor Exp.	12,000		
Bad Debts	2,500		
General Exp.	3,000		
Net Profit	3, 04,060		

Other information:

1. Advertising includes: (i) Goods presented to customers(30 articles @ Rs. 800 each); (ii) T.V. Prizes to Customers (two T.V. @ Rs. 4500 per set); (iii) Diaries/Calendars Rs. 3000; (iv) Balance amount Newspaper Advertisement.

2. Salary paid to one employee.

3. Recovery of Bad Debts includes Rs. 6000 which was not accepted by I.T.O. for deduction in 2017 – 18.

4. Cost of motor Rs. 1, 00,000 on which depreciation allowed 15% p.a.

Q5. Shri Garg runs a Dall Mill. His Profit and Loss Account (2018 – 19) is as under:

Particular	Rs.	Particular	Rs.
Opening Stock	28,000	Sales of Pulses	3,28,000
Purchase of Gram	3,40,0000	Sales of Husk	1,32,000
Wages	72,000	Closing Stock	1,24,000
Gross Profit c/d	1,44,000	Total	5,84,000
Total	584000	Gross Profit b/d	1,44,000
Patent Purchased	7,000	Profit from Wheat Business	47,500
Manager's Salary	13,200	Income from the commission of agency business	26,500
Stationery	800		
Travelling Expenses	4,000		
Repairs	7,200		
Insurance	3,400		
Overdraft Interest	6,700		
Office Expenses	18,300		
Labour Welfare Expenses	3,000		

Compensation	4,000		
Net Profit	1,50,400		
Total	218000	Total	2,18,000

Additional information's are available:

1. Gram of Rs. 18,000 was purchased on 28th March, 2019. This amount is included in purchase, but not included in stock. Its delivery received on 2nd April, 2019.

2. Office expenses include Rs. 2000 for expenditure on Deepawali.

3. Shri Garg is manager himself and received a salary. He gives full time to factory.

4. Assets of the factory were as follows:

(i) Factory Building Rs.1,50,000

(ii) Machinery (1.4.2018) Rs. 2,00,000

5. Depreciation on above assets is not charged in P&L A/C.

6. Compensation paid for breach of contract.

Compute taxable income from the business of Shri Garg for the Assessment Year 2019 – 20.

Q6. From the following particulars compute the Business Income of Mr. Satyam:

Particular	Rs.	Particular	Rs.
To Salaries	90,000	By Gross Profit	4,50,000
To Rent	20,000	By Dividend	4,000
To Service Charges	4,000	By Bad Debt Recovered (allowed earlier)	4,400
To Legal Expenses	5,000	By interest on Post Office Saving Bank	1,200
To Reserve for Income Tax	6,000		
To Depreciation	12,000		

To Expenses on the acquisition of Patent Rights	56,000		
To Office Expenses	42,000		
To Contribution to RPF	12,000		
To Bad Debts	4,500		
To Donation by Cheque	2,500		
To Net Profit	2,05,600		
Total	4,59,600	Total	4,59,600

Additional information:

1. Legal expenses include Rs. 2000 incurred by the assessee for defending a criminal case against him.
2. Depreciation of the year on the assets other than patent rights is Rs. 16,900.
3. Contribution RPF includes Rs. 2,000 not paid till the date of filling the return of income.

Q7. Ramakrishna is a Chartered Accountant. He has submitted the following Income and Expenditure Account for the year 2018 -19. Compute his income from the profession for the Assessment year 2019 -20.

Expenses	Rs.	Income	Rs.
To Office Rent	33,000	By Audit fees	3,00,000
To Salary to Staff	75,000	By Financial Consultancy Service	60,000
To Charities	5,000	By Interest on Deposits in a Bank	22,000
To Gifts to relatives	6,000	By Dividends on Units of UTI	6,000
To Subscription for Journals	2,400	By Accountancy works	32,000
To Drawings	16,000		
To Car Expenses	24,000		
To Household expenses	8,600		

To NSCs purchased	20,000		
To Net Income	2,30,000		
Total	4,20,000	Total	4,20,000

Additional information:

1. Office rent Rs. 3000 though paid is not recorded.
2. Depreciation of car during the year is Rs. 6,000.
3. 30% of car expenses are related to personal purposes.

Q8. Smt. Jyoti is a registered medical practitioner. She keeps her books on a cash basis and for the year ended 31st March, 2019 her summarised cash A/C is as under:

Particular	Rs.	Particular	Rs.
Opening Balance	2,700	Cost of Medicines	20,000
Bank Loan	6,000	Surgical Equipment	6,000
Sale of Medicines	30,500	Motor car	12,000
Consultation Fees	10,000	Car Expenses	1,800
Visiting Fees	8,000	Salary	1,200
Interest on Investment	9,000	Rent of Dispensary	1,200
Rent from Property	7,200	General Expenses	600
Sale of Building	15,000	Personal Expenses	3,600
Sale of furniture	5000	Life Insurance Premium	2,000
		Interest on Bank Loan	360
		Property Insurance	400
		Fixed Deposit in Bank	30,000
		Closing Balance	14,240
Total	93,400	Total	93,400

Keeping in view the following additional information, compute her income from the profession for the previous year 2018 – 19.

- (a) 1/3rd car expenses are for personal use.
- (b) Written down value of the house property on 1st April, 2018 was Rs. 20,000 and that of furniture was Rs. 4000. There were no other assets in these blocks.
- (c) Rate depreciation on the car and surgical equipments is 15%.

Q9. Shri Mahesh had two houses. The first house was occupied by himself for residence. He purchased this house in 1999 for Rs. 1,50,000. Its fair market value on 1st April, 2001 was Rs. 2,10,000, Mahesh spent Rs. 5,000 on its improvement on 10-9-2018 and sold it on 30th November, 2018 for Rs. 16,00,000. He purchased another house for his residence on 25th February, 2019 for Rs. 8,00,000. He had purchased the second house for Rs. 7,74,000 in 2007 – 08 and had let out for residential purpose. He sold this house on 15th June, 2018 for Rs. 16,00,000.

He had purchased some jewellery in 2007- 08 for Rs. 2,58,000. On 22nd February, 2019 he sold this jewellery for Rs. 7,00,000 and purchased on 15th March, 2019 new jewellery of Rs. 75,000. You have to determine the taxable capital gains of Shri Mahesh for the Assessment Year 2019 – 20. The cost inflation indices are: 2001 – 02 ---100; 2007 -08 ---129; 2018 – 19 ---280.

Q10. Mr. Sanjeev is a resident of India. He furnishes the following information about his incomes during the previous year 2018 – 19:

1. Business and professional income Rs. 57,000.
2. Capital gains Rs. 10,500 from a house which he acquired in 2017 – 18.
3. On 31st August 2018 he sold equity shares of Thapar Ltd. For Rs. 1,50,000, were purchased by him on 1st April, 2005 for Rs. 1,17,000.
4. He sold an agriculture land for Rs. 25,500 during the previous year. The land was owned by him for the last five years, which was purchased for Rs. 6,000. The land is situated in a village with a population of 8,000.
5. On 1st March, 2019 he sold a flat for Rs. 11,00,000 which was purchased by him on 1st January, 1996 for Rs. 1,20,000. The fair market value of this flat was Rs. 2,00,000 on 1st April, 2001.

Compute his taxable income from capital gains for the Assessment Year 2019 – 20. Cost inflation indices were 2001 – 02 --- 100; 2005 – 06 --- 117 and 2018 – 19 --- 280.

Q11. Miss Meenakshi has purchased shares in a company on 1.3.2004 for Rs. 21,800 and on 1.3.2018 for Rs. 22,300. She sold the shares of 1.3.2018 for Rs. 80,000 on 1.1.2019. She also sold her jewellery for Rs. 6,00,000 on the same day (1.1.2019) which she had purchased for Rs. 1,83,000 on 1.8.2002.

She invested the full consideration from the sale of all these assets in the acquisition of a new residential house on the same day.

Compute taxable capital gains of Miss Meenakshi for the Assessment Year 2019 – 20 assuming that she did not own any residential house on the date of sale of shares and jewellery. Cost inflation indices are 2003 – 04, 2006 – 07 and 2018 – 19 are 109, 122 and 280 respectively.

Q12. Mr. X a resident individual, submits the following particulars of his income for the year ended 31st March, 2019:

1. Royalty from a coal mine Rs. 20,000.
2. Agricultural income Pakistan Rs. 15,000.
3. Salary for a part time job with a firm Rs. 21,000.
4. Salary as Member of Parliament Rs. 36,000.
5. Daily Allowance as M.P. Rs. 15,000.
6. His residential house has been taken on rent of Rs. 1,000 p.m., half of which he has sub let at Rs. 1,200 p.m.
7. Dividend received from a co-operative society Rs. 5,000.
8. He has incurred the following expenses:
 - (a) Paid collection charges Rs. 100 for collecting dividends.
 - (b) Rs. 3,000 spent for earning and collecting royalty income.

Compute Mr. X's income from other source for the Assessment Year 2019 – 20.

Q13. Srimati Neelam Tiwari, a resident individual, submits the following particulars of her income from other sources for the year ended 31st March, 2019:

1. Family pension from the Government of Uttar Pradesh Rs. 42,000.
2. She has written a book for schools on which she gets a royalty of Rs. 17,000 from the publisher. She has spent Rs. 3,000 on books, stationery, typing etc. during the previous year.
3. She has received remuneration for doing invigilation in Examination Rs. 1,000.

4. Remuneration for acting as examiner Rs. 1,800. She incurred Rs. 75 on postage, etc. in connection with the examination work, which was reimbursed by the University.

5. Cash worth Rs. 1,00,000 was found in the previous year in her bank locker, the source of which could not be explained by her.

6. Interest credited to her saving bank account in Allahabad Bank Rs. 800.

Compute her taxable income from other sources for the Assessment Year 2019 – 20.

Q14. Shri Kalyan Singh is a Political Leader. The particulars of his income for the Financial Year 2018 – 19 are as follows:

1. Received Rs. 12,000 @ Rs. 1,000 p.m. as family pension from the Central Government.
2. Received a sum of Rs. 2,000 for delivering lectures in favour of a candidate in the municipal election.
3. Received a sum of Rs. 3,000 as royalty from Friends and Company to whom he has given right to publish his book on Political Science.
4. He has some machines which he gives on rent. The rent received in this respect amounts to Rs. 15,500. Repair charges on machines are Rs. 1,000.
5. Received Rs. 5,600 as a rent of agriculture land given to kiln contractor for the kiln.
6. Interest received on post office savings bank account Rs. 800.
7. Remuneration received for radio talk Rs. 1,000.

Compute his taxable income under the head income from other sources for the Assessment Year 2019 – 20.

Q15. Shri Jain had the following investment for the year ending on 31st March, 2019:

1. 8% tax free government of India loan Rs. 15,000.
2. 9.5% secured debentures of a cotton mills Rs. 10,000.
3. 12% tax free secured debentures of Raymond Woollen Mills Ltd. Listed in Delhi Stock Exchange Rs. 10,000.
4. 11% debenture of Reliance Textile Industry Rs. 8,000.

He took a loan of Rs. 15,000 @ 7% p.a. rate of interest to purchase debentures. Collection charges spent to collect the taxable interest this year amounted to Rs. 30. The interest is due on 1st January and 1st July